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Marketing Activities

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U.S. DEPARTMENT OF AGRICULTURE
Production and Marketing Administration

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"One of the most interesting meetings I have ever attended" is how one NAMO member described it.

FEDERAL-STATE MARKETING PROGRAM NEEDED TO IMPROVE DISTRIBUTION . Page 14

"It is time for the State bureaus of markets, the Federal Department of Agriculture, and all other agencies interested in marketing to work together in developing and carrying out a complete marketing program which will move all the food that our people need from the farms of the Nation in as efficient a manner as possible."

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Vol. 9, No. 6

Government Functions In Postwar Marketing¹

* * * The subject [of postwar marketing problems] is a vital one—vital to farmers, vital to consumers, vital to trade and industries, vital, in short, to the future welfare of the Nation. It should go without saying that to the officials of the Production and Marketing Administration the problems of postwar marketing loom up as one of the most challenging phases of our work in the years ahead.

Famine Program

In fact, we are right now tackling what is undoubtedly the most stupendous single agricultural marketing job in the history of the Department. I am thinking, of course, of our efforts to check the scourge of famine overseas.

In these efforts we have set our goals high. Out of stocks which we knew would be levied on heavily by the tremendous buying power of our own people, we proposed to ship abroad during this calendar year 1.6 billion pounds of meat and 375,000 tons of fats and oils, and during the first 6 months of this year to ship 225 million bushels of wheat—not to mention lesser totals of various other foods. It is not surprising that our efforts to meet these goals have called forth all the marketing ingenuity we have been able to mobilize.

I need not call over here the various drastic steps we have taken—particularly in connection with wheat—to reach these goals. As marketing officials you are all well informed regarding them. You are collaborating in our efforts to see that the measures we have taken are carried through successfully. I mention them now because to me they are an indication of the major role that marketing is going to play in our postwar agriculture.

Peace is never just the end of war. And peace at the end of a war of such proportions as World War II is bound to be something quite different from what we knew as peace before the fighting started. This is the broad, fundamental fact that we must bear in mind in our approach to postwar marketing problems.

During the war our farmers stepped up amazingly their levels of agricultural production, particularly of foods, and it is a safe assumption that they are not going to retreat from those new levels. I think we can count on that—on a level of farm production at least 25 percent

¹/ From a talk by Robert H. Shields, Production and Marketing Administrator, USDA, at a meeting of the Atlantic States Division, National Association of Marketing Officials, Washington, D. C., May 1, 1946.

above prewar. And that, I am sure you will agree, poses some difficult postwar marketing problems, despite the fact that during the war we have made even greater advances in speeding up marketing and distribution—in moving the products of our farms to the eventual consumers in all parts of the world. It is not a problem we will have to face head on in the next year or two—not with famine stalking the world—but it is one that we must be thinking about if we don't want to find ourselves coming up at quite the wrong time with much too small an answer much too late.

It is a problem that, as I see it, is going to call for the utmost cooperation between the Federal and State governments. Moreover, it's a problem that is not going to be solved satisfactorily from the standpoint of any of us until all of us are fully aware of the fundamental interrelationship between production and marketing, and are willing to recognize that as long as people anywhere are ill-fed, ill-housed, or ill-clothed the only sane and conclusive answer to the problems of over-production is an expansion of markets through expanding consumption.

PMA Organization

It was an awareness of this interrelationship between production and marketing that underlay the establishment of the Production and Marketing Administration within the U. S. Department of Agriculture last year. Immediately after taking office last July, Secretary Anderson appointed a Committee on Organization to recommend changes in the operating structure of the Department. The most far-reaching change that came out of the committee's recommendations was the establishment of PMA. This agency now has direct and primary responsibility with respect to both the production and marketing programs of the Department.

PMA's establishment was a much needed recognition of the fact that it is no longer possible—if it ever was—to divorce problems of production from those of marketing. Or, to put it bluntly another way, it recognizes at last that any attempt to solve problems of farm production in an industrial economy independently of marketing considerations is to invite failure before you start.

As State marketing officials, you are undoubtedly interested in how this new organization will function, and I trust you won't mind if I sketch briefly its present organization before taking up its probable role in postwar marketing.

Structurally, PMA consists of 10 commodity branches, 10 functional branches, and a number of staff offices to deal with matters requiring broad, coordinated action, such as production goals, requirements, price determinations, transportation, information services, and so on. All of these branches and offices are under the general supervision of the administrator and his assistants. In addition, PMA embraces two corporations: the Commodity Credit Corporation, which is under the direct supervision of the Secretary of Agriculture, who is chairman of its

board of directors, and which is essentially FMA's banking agency; and the Federal Crop Insurance Corporation, which is self-descriptive.

The 10 commodity branches—Cotton, Dairy, Fats and Oils, Fruit and Vegetable, Grain, Livestock, Poultry, Special Commodities, Sugar, and Tobacco—insofar as it is administratively possible have under their direction all Department programs affecting these commodities, with the exception, of course, of the basic programs of the long-established research bureaus.

The commodity branches keep informed on the supply and demand for their commodities, and collect and disseminate market news. They develop programs to improve and make more economical the processing and marketing of farm products. They make recommendations for supporting and maintaining farm income from their commodities. They recommend production goals and plan means for achieving them. They review and make recommendations with regard to price regulations. They develop standards and conduct grading and inspection services, and administer regulatory acts governing trading and marketing operations and practices. They initiate, develop, and administer war food orders; and they administer agricultural marketing agreements and orders.

Part of the Administration's work necessarily cuts across commodity lines. This is true of the work of the staff offices. It is likewise true of the work of what we have called the functional branches, which operate not on a commodity basis but on the basis of a specific broad type of work to be done. Some of these branches—such as Budget and Management, and Fiscal—are purely administrative. Others—such as Marketing Facilities, and Food Distribution Programs—operate across the board commodity-wise as regards their special responsibilities.

Functional Branches

The work of the Marketing Facilities Branch is well known to you. Its broad responsibilities cover nearly all phases of the physical handling of farm products as they move from the farm to the eventual consumer, including the planning and promotion of market facilities for the assembly and sale of products, and the conduct of transportation and storage programs. By reducing costs of distribution and bringing about a speedier and more orderly flow of products through distributive channels, it seeks to open up larger and more effective outlets for the farm producer.

The Food Distribution Programs Branch approaches the marketing problem from another angle. Through such programs as School Lunch, industrial feeding, direct distribution, and increased consumption of seasonally abundant foods, this branch not only helps to provide an immediate additional outlet for foods in abundant supply but also supplies the educational basis for a permanently enlarged market for these foods.

Field operations of PMA, particularly those dealing with growers, are handled so far as possible through the State PMA offices, one in each of the 48 States. The State PMA office, which reports to the administrator in Washington through the director of the Field Service Branch, is responsible for both production and distribution programs in the State. Through this merging of production and marketing activities in one State office, we hope to achieve a definite coordination and a strengthening of each of these basic fields of operation.

In line with these objectives we have changed the designation of the "State committees," which assist in program administration in each State, from State Agricultural Conservation Committees to State PMA Committees. We are also going to broaden the background of the committees by making new and replacement appointments, largely from among those qualified individuals who are not only farmers but who also have had experience in distribution and marketing work. The objective is to see that these committees reflect the necessary background to assist across-the-board in PMA program administration.

Besides the basic operations that are directed through State PMA offices, certain special services and activities are directed from Washington through representatives stationed at market and area centers. Such work as inspection, grading, standardization, regulatory operations, food order administration, and market news service—work not easily broken down by State boundaries—obviously can be handled most efficiently at market centers. Similarly, some of the commodity activities, such as purchases and sales, and marketing agreements that cross State lines, can frequently be handled best only at the logical market or area centers. Such activities are now administered by the appropriate branches in Washington, with representatives stationed in the area of immediate operations.

Maximum of Decentralization

In the PMA organization, I believe in and propose to work toward a maximum of decentralization—from the administrator to the branch heads, with broad authority given to the latter to formulate and develop programs. Since our programs are national in scope they must be formulated in Washington. I believe, by the same token, that a maximum of authority should be granted administratively to the field. In other words, when everything else is equal, and something can be done either in Washington or the field, I want it to be decided or done in the field.

In the field I regard the State PMA director, who is chief executive officer of the State PMA organization, as responsible for carrying out in his State all production and marketing programs that have been assigned to the State PMA organization for administration.

I should make clear, however, that this centralization of field administrative authority does not lessen the responsibility of any branch in the formulation and development of specific programs. My intention is

to decentralize program administration as far as possible, but to make the various branches responsible for program formulation and development. After they are approved, the programs will be carried out by and through the Field Service Branch—with as much decentralization as possible at the State and county level so as to adapt the programs administratively to local conditions.

So much for problems of administration. If I have stressed them overmuch in this brief talk, it is because they are primarily my responsibility, and I can speak on them with more authority than on specific marketing problems. I propose to leave these technical matters to the specialists who have preceded and will follow me on this program.

I would like to speak for a minute or two, though, on what I conceive to be the broad job ahead of us as marketing officials.

As I implied at the beginning, the basic problem in a highly productive agriculture such as ours resolves itself finally into a search for ways of expanding consumption. It has many ramifications but that is the essential problem; and I think we will have to approach it from every conceivable angle before we work out a satisfactory conclusion. To be fully effective, any solution we come up with must be able to cope with changing conditions of supply and need, and it must cover the whole range of activities from production on the farm through preparation, packaging, transportation, storage, and on up to use by the ultimate consumer.

It is a job that includes such broad aims as seeing that the farmer gets his fair share of the consumer's dollar, preventing unfair market practices, creating new markets for farm products, aiding the producer to move his produce to market, and assisting processors and handlers and transporters of food and agricultural commodities to do their part of the marketing process more efficiently. The Flannagan Committee, with which you are all familiar, has appropriately recognized the need for a thorough examination of this whole range of marketing activities.

Role of Government

As to the role of Government in this huge task—well, I think I might state it quite succinctly in this way: It is to step in and help wherever and whenever private groups cannot or will not do the job themselves. That is not to say that I expect Government activities in marketing to shrink in comparison with the years before the war. Indeed, I think they will expand. But in the future as in the past the greater part of the initiative in improving our marketing services must rest with farmers, processors, and distributors themselves. Farmers can and do make many such improvements. Processors, transporters, and distributors are constantly making improvements in their services. There should be no let up or discouragement of this process.

But with our marketing system constantly changing and growing more complex, more complicated things obviously need to be done to improve it. Today a good part of our agricultural production leaves home and goes far afield to market. Production of many products is localized in highly efficient producing areas. This specialization tends to put more distance between the farmer and the consumer, and to complicate marketing processes. Moreover, under such an economy farmers need more and more guidance in producing the commodities that fit best into the markets available to them or that can be made available to them.

Under such conditions, the activities of Government, both State and Federal, in the field of marketing must be expected to increase. In the years ahead it is going to take work and cooperation by all hands if the production that farmers are now capable of turning out is to reach consumers in proper condition and at prices they can afford and are willing to pay. The States have taken the lead in much of this work in the past. I sincerely hope that as State marketing officials you will continue and expand your tremendously important role in working out fair, practical solutions to the problems we face. I hope our cooperative agreements will continue to increase in number. You are organized, you know the local situation, and many of you have been long years on the job.

Problems Ahead

Among the problems ahead of us, as I size up the situation, are the following:

1. Wartime price controls and subsidies must be eliminated as soon as possible but in a way that will help agriculture reconvert soundly from war to peace.
2. Wartime price-support commitments must be carried out fully, and we must be working out the permanent price and income policies that will avoid unnecessary Government control and that will encourage full consumption of agricultural products.
3. Interstate trade barriers must again be reviewed thoroughly, and some way must be found to allow the free flow of food and fibers from farms to cities throughout the country.
4. Marketing services such as inspection and market news will need to be expanded and strengthened.
5. Market terminals must be improved and modernized in many of the principal cities in order to eliminate unnecessary duplication and to prevent waste and deterioration of perishable foods.

These are only a few of the many problems that concern you State officials as well as us Federal officials. We will need your counsel and your help in solving them. * * * We in PMA are counting on continuance of the help and cooperation which your organization has supplied for a quarter of a century.

Atlantic States Division Of NAMO Meets at Washington

Supply and demand conditions, food distribution, and governmental functions in postwar agricultural marketing were the discussion topics of the Atlantic States Division of the National Association of Marketing Officials at its annual meeting held in Washington April 30-May 1.

At the opening morning session several speakers discussed "Looking Ahead at Supply and Demand Conditions." Dr. O. C. Stine, chief of the Division of Statistical and Historical Research, Bureau of Agricultural Economics, pointed out that currently many commodities were scarce and most people had money to buy. The employment situation, he said, would be about normal except that some people who were not looking for work would go to work shortly, so that probably unemployment estimates would increase moderately. An increase in industrial production in this country may be expected, to offset terminations of payments connected with military service, Dr. Stine said. It seemed likely to him that the price of agricultural products would "hold up" this year. The fact that additional subsidies are being paid on wheat and corn is a price advance, he said, so prices will be higher during 1946. He expected buying power adequate to take all products—agricultural and non-agricultural—in 1946. In 1947, competition should begin to develop in non-agricultural products, which would reduce the pressure on price rises. By 1948, the production of a great many consumer goods would probably be enough to begin pressure on prices—perhaps of agricultural products if crops are good. In the United States and Europe in 1947, price reductions should begin as a result of the supply situation, Dr. Stine said.

B. P. Storrs, a NAMO member from Connecticut, predicted increased mechanization in farm production as the result of higher labor costs and an increasing scarcity of common labor.

W. C. Crow, director of the PMA Marketing Facilities Branch, said grades and standards have two important main purposes. The first, the providing of a common language between seller and buyer to facilitate trading, has been accomplished very well, Mr. Crow said. Much work is still needed to accomplish the second purpose—placing in the top grade those characteristics of the product for which the consumer will pay the most money. The No. 2 grade should combine the characteristics next most important from the buyer's point of view. Mr. Crow pointed out that grade factors should be determined not by what the consumer ought to want, but by what he does want and will pay for.

J. H. Meek, a member from Virginia, reported on a meeting of a NAMO committee on uniform grade labeling under official inspection. He said the whole program was based on quality identification through which the housewife can purchase with confidence on the basis of quality, and that grading must be simplified to be successful.

In some States, he said, the use of symbols to indicate quality has been suggested. Some States have new quality labels and other States have proposed to develop them. Mr. Meek hoped it would be possible to "tie in this quality label under an emblem under Federal-State inspection, calling for uniform grades that can be identified by color, which is simple"--the color with the emblem to be controlled federally. He said the committee had suggested that the Council of State Governors draw up a model law for the States to provide for official quality labels.

The afternoon discussion topic was distribution, including transportation, refrigeration, merchandising, and packaging. W. C. Crow, director of the PMA Marketing Facilities Branch, spoke on the need for a Federal-State marketing program to improve distribution. (His talk is reported at length beginning on page 14 of this issue of Marketing Activities.)

J. R. Cavanagh, American Institute of Food Distributors, Inc., in discussing factors affecting the current marketing situation, said the outcome of the pending legislation dealing with the Office of Price Administration would affect marketing programs more vitally than any other one thing.

Production of trucks will be restored much more rapidly than that of passenger cars, he said, because: (a) Truck manufacturers are more numerous, (b) they have been tooling up for war production, (c) trucks can be handled much easier, and (d) passenger-car production will be delayed because car manufacturers, all of whom also produce trucks, will push their truck output in order to keep up with manufacturers who produce trucks only.

Freight-Rate Increases

The cost to agriculture of the freight-rate increases, he said, is estimated to be 13 percent on fresh market products and 25 percent on processed products, with an average of 15 percent for fruits and vegetables as a whole. The fresh fruit increase is inequitable, according to Mr. Cavanagh, because the cost will be much higher percentagewise in some areas than in others for the same products.

In discussing the increase in unloads in some of our markets, Mr. Cavanagh said prewar estimates of normal supplies had to be revised during the war because of the much greater consumption of food. In Washington, he said, the volume of food consumed has increased by 88 percent. By checking on the volumes consumed in various markets, growers and shippers can determine the potential demand and keep informed on the changing situation.

He advocated prepackaging in terminal markets rather than in producing areas, because the work is seasonal at shipping points and requires

a large crew for short periods. In terminal markets, packaging may provide year-round employment and utilize shipped-in as well as locally produced commodities. The practice would also benefit local farmers who now bring ungraded products in all kinds of containers. If the market is glutted, he said, produce cannot be shipped in such a condition to other markets, so prices go down. But produce that goes through a packaging plant comes out uniform as to grade and package and can be shipped to other outlets where there is demand for it. Surpluses will move at higher prices, and prices in the local market will be maintained.

C. B. Denman, National Association of Food Chains, spoke on improvements in refrigeration, transportation, and packaging. He described an ideal postwar food store. It might be chain or independent. There would be a service room, with refrigeration for perishable items. Here foods would be packaged and meat would be cut into meal-size pieces. This room need not adjoin the food store; it might be at considerable distance away, and either independent or cooperative. Its location near producing areas would obviate the shipping of trash and bone, which add to transportation costs. An example of how such a plant might operate, Mr. Denman said, exists in an Iowa county where a number of independent and cooperative food locker plants are located. The independents have joined with the cooperatives to build a slaughtering and beef-aging plant. By doing their own slaughtering they keep in their county the tankage, fertilizer, and the hide-tanning operations.

Mr. Denman outlined his ideas of future packaging as follows:

1. Packages will be sanitary.
2. They will be transparent for most items because they are cleaner, more attractive, have eye-appeal.
3. They will be light in weight. Transportation represents a large part of the cost of food but adds nothing to its nutritional value or appearance.
4. They will be square-cornered. Square corners occupy the least transportation and storage space.
5. They will be moisture-proof. Most products will be refrigerated, and "refrigeration means moisture."
6. They will be durable enough to stand handling by inexperienced and careless help.
7. They will be cheap enough to throw away.

Dr. F. L. Thomsen, chief of the Division of Marketing and Transportation Research, Bureau of Agricultural Economics, discussed recent technological developments in marketing and transportation. He said that

whereas retail markets formerly took 35 percent of the consumer's dollar, the present self-service supermarket takes only 16 percent. He stressed the necessity of keeping informed in new marketing developments. Frozen foods are not just a "flash in the pan," he said, although at the present rate of distribution it will take years to equip all the stores with frozen food cases. The high cost is temporary, however, and prices should come down as the cost of machinery is reduced and as more efficient ways of plant arrangement and handling are worked out.

The freezing of meat is an important development, Dr. Thomsen said. It promotes the standardization of meat products. Standardization also depends largely on self-service stores and on brand names and advertising. Freezing promotes all-season distribution of meat supplies and makes the supply available all year to consumers. Frozen meats can be sold on a volume basis at or below the price of fresh meat.

W. J. Hackett, NAMO member from Alabama, described the operation of State markets (one now operating, seven others under construction) in Alabama. The market is built with State funds, equipped with proper processing equipment, and leased to a cooperative composed of farmers in the market area. The cooperative pays off one-twentieth of the capital investment a year. After 20 years the State continues its supervision and, should the cooperative go out of existence, is obligated to continue operating the market as long as the commodities handled are produced in that area.

During the morning session of May 1, talks and discussions dealt with Government functions in postwar marketing.

The talk by R. H. Shields, Production and Marketing Administrator, USDA, is reported at length in this issue of Marketing Activities (beginning at page 3).

Henry G. F. Hamann, PMA Dairy and Poultry Grading and Inspection Division, named four objectives he considered fundamental to postwar marketing programs:

1. A national grading program, set up uniformly, on a practical and efficient basis.
2. Uniform grade terminology, both Federal and State, and uniform interpretation of standards and uniform labels of grade identification.
3. Uniform State enforcement programs running parallel with permissive programs.
4. Uniform charges for service based on actual cost relative to service rendered.

S. R. Newell, assistant director of the PMA Livestock Branch, said that the most important governmental function in postwar marketing will

be to provide the American farmer with the best possible marketing service, and to modernize and extend our regulatory activities to assure him of fair play in his marketing operations.

Our first and greatest postwar livestock problem "will arise if we do not continuously adjust production in line with a remunerative demand," he said. "If we can do a better job of providing the producer with the information needed to adjust production to the demand, most of our livestock marketing problems will be easier to solve."

Mr. Newell stressed the importance of the production goals program and of accurate market reports that reflect prices by classes and grades at markets of national or regional significance. The Federal market news service should continue to assume full responsibility for collecting and disseminating market information at large markets which receive a continuous volume from a wide area, he said, and to expand its work and cover the large movements under range contracts. In addition, the coverage of local markets, both public and auction, should be further developed through Federal-State cooperation. He suggested that the market reporter might "go farther than he has in the past and indicate to the producer some of the factors that are causing market price changes and indicate, insofar as possible, what might be expected in the near future."

Mr. Newell also pointed out the need for catching up with several years of work, delayed by the war, on livestock standardization research. He said the Government, through official standards and grades applied by unbiased graders, can provide the means by which the producer can obtain premiums for quality products.

M. W. Baker, assistant director of the PMA Fruit and Vegetable Branch, outlined the service functions of that branch. He also described a current radio experiment in Philadelphia in which the market news man broadcasts to the public some of the market conditions affecting various fruits and vegetables arriving on that market. Purpose of the experiment is to gage the possibility of closer contact between consumers, retailers, and wholesalers.

Officers of the Atlantic States Division of NAMO named for the coming year are: W. L. Cathey (Georgia), chairman; S. H. DeVault (Maryland), secretary.

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FOUR EXEMPT STATES BROUGHT UNDER PORK AND LARD SET-ASIDE

Production of pork and lard by federally inspected and certified slaughterers in Kentucky, Tennessee, Virginia, and West Virginia were brought under the set-aside provisions of WFO 75.3 on May 12.

Federal-State Marketing Program Needed To Improve Distribution¹

Within the next year or two this country is to be confronted with one of the greatest problems of marketing agricultural products that it has ever faced. During the war period farm output was increased by about one-third in order to meet the abnormally high demands of our allies, our military forces, and of our own civilians who were enjoying record incomes. When the foreign demand has subsided and our military forces have been demobilized, we are likely to find that our production will be outrunning our available outlets. At the same time, our farmers undoubtedly will not be producing more total food than our people need if they are to have adequate diets. Therefore, in order to maintain markets for the farm output and provide satisfactory diets for our consumers it is of greatest importance that we strive for an efficient system of distribution which will move as large a quantity of foods as possible from farm to consumer, delivering these foods in as good condition as possible with reasonable marketing costs.

Have We a Real Program?

Most of us believe that this marketing job should be done primarily by the private distribution system. We believe that the main function of Government should be to assist that private system in its operations by research, service, and the administration of any rules of fair play that may be necessary. Confronted as we are with marketing as the number one problem of agriculture in the years that lie ahead and with more expected of the private marketing system than it has ever had to do in the past in bridging the gap between surplus production and inadequate diets, it is quite proper that we consider * * * whether as Government agencies responsible for leadership in handling marketing problems we have any real marketing program or any reasonable prospect of getting one.

Those of us who have spent years in the field will readily admit that we have made some very satisfactory progress on some of the more easily handled marketing activities. We have reasonably satisfactory market news service and inspection and grading services. We have a few useful regulations designed to bring about fair play, such as the Perishable Agricultural Commodities Act, the Packers and Stockyards Act, and the Federal Seed Act. We have done some work in trying to establish reasonable freight rates. As useful as these activities are, none of us would claim that they do much more than scratch the surface in attacking the problem of distributing farm and food products.

¹/ From a talk by W. C. Crow, Director of the Marketing Facilities Branch, PMA, at a meeting of the Atlantic States Division, National Association of Marketing Officials, Washington, D. C., April 30, 1946.

We who are working in the marketing field are expected to be leaders in developing new ideas and programs to improve the economic position of the farmer and provide a satisfactory standard of living for our people. We cannot meet this responsibility without developing and aggressively pushing a more adequate marketing program. To be specific, what are we as marketing people doing to make distribution more efficient, to reduce the cost of marketing? What are we doing to reduce spoilage and deterioration in order to deliver foods to consumers in better condition? What are we doing to make use of our market information by anticipating farm surpluses and developing programs for moving them to consumers? What are we doing to help solve the cotton marketing problem by finding out just what varieties are best for specific uses and thereby telling the farmers the kind and quantities of cotton they can grow that will sell? What are we doing to tell poultry producers and handlers whether their product can be more efficiently distributed in live or dressed form, or if dressed, whether eviscerated or not?

What are we doing as marketing leaders in assisting in providing the proper kinds of facilities for handling all kinds of farm products through the various stages of the marketing channel? What real marketing research are we conducting to find the answers to the thousands of questions that people raise in the marketing field? These questions should be sufficient to convince us that as marketing agencies we are going into a period where the main problem will be marketing without any satisfactory program for finding the solutions to that problem.

Policy Needs Study

On many matters concerning marketing efficiency there has not been enough study and thought to develop ideas as to what constitutes sound policy. This can be illustrated in the transportation field. * * * Transportation is the largest single element in the cost of marketing farm products. Presumably it is important to us that this function be performed cheaply and efficiently, and that the transportation system operate in a way that will not only yield the necessary return to the transportation agencies but that will serve the public and move the products as efficiently as possible. As marketing people we have no very definite ideas about sound transportation policies. This can be illustrated by considering the field of trucking. Farmers have a tremendous interest in motortruck transportation, because large quantities of their products move to market in that way. Nearly half the receipts of fruits and vegetables at 40 of the largest terminal markets normally arrive by truck. Ninety-eight percent of the live poultry and 66 percent of the eggs in 16 large cities are transported by truck. At 68 public stockyards 69 percent of the cattle and 70 percent of the hogs arrive by truck.

The truck has been an important factor in expanding the outlets for farm products. It has brought a greater variety into the stores of the smallest towns. It has provided a flexible means of transportation for moving commodities quickly from places of abundance to places of relative

scarcity. The truck has made it possible to pick up commodities in the field and with one handling deliver them to the wholesale house or retail store at some consuming center several hundred miles away. It is not an exaggeration to say that during the past decade or two the advent of the truck has been one of the greatest single influences in the marketing of farm products.

Trucks Bring Problems, Too

But while the truck has brought these benefits it has also brought its problems. In some producing areas the itinerant trucker is the only potential outlet for the farmer's products, there being no truly competitive market. (Of course, many of these farmers did not have a market at all until the truck came along.) Thus the farmer is placed at a disadvantage in disposing of his products. In most terminal markets the trucks have brought increased volume of business and such traffic congestion that the old market places can hardly handle the business. The irregularity of truck arrivals has made it difficult to ascertain market supplies. Some truckers are not financially responsible. Some trucks are not equipped with the necessary safety devices. The motortruck industry has taken considerable traffic away from the railroads. All of these problems created by the truck must be recognized.

In dealing with this relatively new method of transportation, as marketing people we should pursue policies and programs which will get the maximum advantages from motortruck transportation without the disadvantages, but in some cases it appears that the idea of curing the ailments by killing the patient has been adopted. An effort has been made to keep motortrucks out of certain markets. Attempts have been made to regulate them in such a way as to eliminate their flexibility, and to regulate their charges in such a way that they will not take business away from competing methods of transportation. An effort has been made to make them safe by placing on them inconsistent safety requirements from one State to another. Little or nothing has been done to improve our terminal markets so that the facilities can meet the new conditions. What do we as marketing people believe to be a satisfactory policy of regulation of trucking? Few of us would admit that we want to do away with motortruck transportation, but our passive consent to unsatisfactory regulation can have that effect.

We no doubt all agree that there should be regulations on trucking to require the necessary devices for safe operation and that these regulations should be uniform from State to State. Most of us perhaps would agree also that there should be some kind of law establishing financial responsibility of truckers, both as to damage done by their trucks and for the safe delivery of the merchandise entrusted to them. But what do we believe should be the policy with regard to the regulation of rates charged by truckers and the determination by Government of the routes over which they can operate? Do we believe that motortrucking should operate as a

competitive industry or should the Government grant monopolies of territory to the various trucking lines and attempt to regulate their charges by law rather than by competition? If we want to give trucking lines monopolies of certain territory why do we want to do it? Not because there are any significant economies in large-scale operation as in the case of the railroads, because there is strong reason to believe that an operator with a few trucks can haul at as low costs as the large trucking lines. Not because we are afraid that competition will drive the trucks off the highways. In most lines of activity in this country it is the policy to foster competition and depend upon competition to give satisfactory rates and services to the public. Still, with motortrucking there has been a definite trend to try to rule out competition and force carriers to obtain certificates of convenience and necessity and subject them to Government regulation. For what purpose has this policy of motortruck regulation been adopted? There is a real doubt as to whether it was done to give the public better rates or better service.

Under the existing motor carrier legislation truckers hauling across State lines for hire must obtain a certificate of convenience and necessity to operate. Of course, when an application is made for such a certificate, the proposed operator is often opposed by the railroads and other trucking lines on the grounds that no additional common carrier is needed. If, after a hearing, the applicant should be granted a certificate, he must then file his tariff, which is checked to be sure that the rates are up to the prevailing level. If the tariff is finally accepted the applicant must then comply with all the requirements on insurance, hours of service of employees, equipment, and so forth.

Backhaul Difficulties

As a gesture to the people interested in the marketing of farm products truckers hauling only unprocessed agricultural commodities are exempt from these requirements. But to maintain this exemption they must pay a very high price, that of being forced to make many of their return trips without a backhaul, because they often cannot obtain unprocessed agricultural commodities to haul back. If they haul for hire a plow, some buttermilk, feed, fertilizer, or even shelled peanuts once during the year they lose their exemption and must seek to obtain a certificate of convenience and necessity. This is true even if the operator operates only one truck. This results in a very uneconomic trucking operation and raises the cost of transporting farm products. The only way around these economic disadvantages is to seek officially to go into the trucking business, only in many cases to have the application turned down on the grounds that there is already some trucking line or railroad operating in the territory.

Thus there is a real reason to believe that the policy of making trucking a monopoly, requiring certificates of convenience and necessity, and regulating rates by Government action tends to decrease the

flexibility of motortruck transportation, protect the carriers against competition, and increase the cost of hauling, with the chief benefits coming not to the public, but to the large trucking lines and other carriers.

The primary questions of policy involved are: First, from the public point of view is it desirable that the trucking business be competitive or monopolistic? Second, shall one type of transportation agency be regulated to protect the business of a competing type? Recently the water carriers have attempted to force an increase in railroad rates in order that they might raise the water rates and still not lose the business. There have been instances where truck lines have tried to get the railroad rates increased in order that they might increase trucking charges and still not lose the traffic. As marketing people, should we favor competition between the types of transportation, or do we want all types (rail, water, highway, and air) regulated according to some one pattern so that one cannot take business away from the other? The answers to questions of this kind can make a difference of hundreds of millions of dollars in the cost of marketing farm products. Thus we cannot say that we have a complete marketing program if we continue to ignore questions of this kind. Similarly in the transportation field, what is our view as marketing people of the current proposal of the railroads to increase total freight charges by about $1\frac{1}{2}$ billion dollars per year? Do we believe the entire increase is justified or not? If not, what do we propose to do about it?

Refrigeration and Market Facilities

Many people have stated the opinion that in handling perishable foods we must make a greater use of refrigeration all along the line from the farmer to the consumer. It has been pointed out that one reason why the large terminal markets must operate 6 days in the week is that they have little or no refrigerated storage to hold the commodities over a long week end. As marketing agencies, what do we propose on this question?

We have talked a great deal about the need for better market facilities, both in the producing areas and in the large consuming centers. We know it is impossible for individual farmers or individual members of the trade to provide such facilities. So many groups are involved, such a large outlay of funds is required, that no individual or small group of individuals can correct the situation. What course of action do we as marketing people propose should be followed in getting these facilities improved? We know that if the handling costs are to be reduced we must have these improvements. We know further that with improved market facilities we can have a better operation of the forces of supply and demand, better market news, better inspection and grading, and a more satisfactory regulation of market practices such as hours of selling. In short, we know that the provision of satisfactory places to do business is fundamental to an improvement of that part of the marketing system. What do we propose to do about it?

In the years to come if we are to move the tremendous output of the American farm to the consumers throughout the Nation in such a way as to

provide an adequate income for farmers and satisfactory diets for consumers, we must develop programs which will increase the efficiency of handling the commodities all the way from the farm to the consumer. We must also develop means of channeling the flow of these commodities so that they will be well-distributed throughout the country without gluts in one place and shortages somewhere else. We must also have a marketing program which will enable us to push through the marketing channel, for short periods, larger quantities that may be harvested during the production peaks. The private marketing system can do this job without depending on the Government to go into the business of buying and distributing any tremendously large quantities of surpluses, but it cannot do it without assistance.

A real marketing program requires the joint efforts of farmers, members of the trade, and the appropriate agencies of Government--both State and Federal. That we do not have an adequate program now is hardly disputable. That we need one is obvious. It is therefore time for the State bureaus of markets, the Federal Department of Agriculture, and all other agencies interested in marketing to work together in developing and carrying out a complete marketing program which will move all the food that our people need from the farms of the Nation in as efficient a manner as possible. Only by the successful operation of such a program can we keep our farmers prosperous, our people well fed, and preserve our American way of distribution, which is based upon dependence on private initiative to do the job.

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WFO 42 AMENDED

Changes in WFO 42 affecting the packaging of cooking and salad oil and shortening, and the canning of fish were announced in April by USDA.

Under an amendment, packers of cooking and salad oils and shortening are required to pack in each size container during each calendar quarter not less than 95 percent of the total volume packed in the same size container in the corresponding quarter of 1944. Packers formerly were required to package in each size package not less than the same total volume they did in 1944.

The recently announced reduction of 4 percent in permitted production of fat and oil products beginning with the April-June quarter eliminated the flexibility in packaging which the packer had enjoyed at the high rate of production. The new amendment was necessary to continue this flexibility so that the packer could better manage his package problems which have been aggravated by continued scarcity of packaging materials.

Under the same amendment, canners of tuna, bonito, yellowtail, and sardines have access only to soybean oil on an ex-quota basis. Formerly, some cotton and peanut oil as well as soybean oil were used in canning these fish. The needed oils were furnished from a special allocation.

HOG SLAUGHTER QUOTA INCREASED

Because of a substantial increase in the marketing of hogs, USDA has increased the quota percentage on the number of hogs that federally inspected packers may kill under the slaughter control program in effect since April 28, 1946.

The action was taken under amendment 1 to WFO 75.7. It increases the total live weight of hog slaughter permitted by federally inspected slaughterers from 80 to 90 percent of the amount they slaughtered during any accounting period of 1944. The new quota percentage will apply to slaughter during the entire month of May.

Department officials said that the amendment permitting larger hog slaughter was necessary because of the recent large increase in hog marketing. The tight feed situation, plus recently increased prices on grain, had resulted in the stepped up marketings.

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USDA URGES POULTRY CULLING TO CUT PRODUCTION COSTS

Following the steps taken recently to encourage movement of grain for shipment abroad, USDA poultry officials on May 14 urged the Nation's poultrymen to cull nonproductive birds more intensively to reduce production costs of both eggs and meat chickens.

The higher ceiling prices placed in effect on corn, wheat, and other grains and proteins to make more available for direct human consumption do not permit feeding "boarders" in the average farm poultry flock, officials pointed out.

"There are many nonproductive birds in poultry flocks today eating feed grain at the rate of 4 to 5 pounds a month per bird," W. D. Termohlen, director of the Poultry Branch, said. "There are also many hens which are not producing enough eggs to pay for the feed they eat. Collectively, these nonproductive and low-producing birds consume an enormous quantity of feed with little compensation for the poultryman.

"The higher ceiling prices set for feed grains and proteins are bound to have material effect upon the cost of egg and meat chicken production in the average flock. But cost of production can be held to a minimum in every flock by carefully considered culling. Because of the serious feed situation abroad and the feed situation in this country, we must get the utmost in results from every pound of grain fed to poultry or livestock. There is, therefore, an urgent need to cull in May and June about two-thirds of the total number of birds culled in May, June, July, and August of last year."

ABOUT MARKETING:

The following address and publications, issued recently, may be obtained upon request. To order, check on this page the publications desired, detach and mail to the Production and Marketing Administration, U. S. Department of Agriculture, Washington 25, D. C.

Address:

Restoring Self-Sustaining Agriculture, by Clinton P. Anderson, Secretary of Agriculture, at Atlantic City, N. J. April 30, 1946. 12 pp. (Mimeographed.)

Publications:

Questions and Answers on Government Inspection of Processed Fruits and Vegetables. MP 598. (United States Department of Agriculture) April 1946. 26 pp. (Printed.)

Descriptions of and Key to American Potato Varieties. Circular No. 741. April 1946. 50 pp. (Printed.)

Farm Production, Disposition, and Income from Milk, 1944-45. (Bureau of Agricultural Economics) April 1946. 28 pp. (Mimeographed.)

Production of Manufactured Dairy Products, 1944. (Bureau of Agricultural Economics) April 1946. 57 pp. (Multilithed.)

Farm Production, Farm Disposition, and Value of Principal Crops, 1944-45. (Bureau of Agricultural Economics) May 1946. 61 pp. (Mimeographed.)

Meat Animals--Farm Production and Income, 1944-45. (Bureau of Agricultural Economics) April 1946. 20 pp. (Mimeographed.)

The Deficit in Protein for Livestock. (Bureau of Agricultural Economics) April 1946. 28 pp. (Mimeographed.)

U. S. Meat Stamps. AIS-47. (U. S. Department of Agriculture) March 1946. Leaflet. (Printed.)

